


No Price

The national economic expansion will most likely deflate. Energy supply limitations are the pin pointing at the balloon. Worldwide oil demand is building higher and higher, while supply is struggling to keep up. This creates an unsustainable economic imbalance. Since supply is unable to increase in the short run, demand will have to retreat. Higher prices act as the moderating mechanism. Since demand has not slowed over the past year with higher prices, then one can only conclude that prices may go even higher.

Refining capacity is running full bore. This means it is more difficult to make more gasoline and heating oil, even if we need it. Therefore, the economy must slow. Hurricane Katrina may just make the inevitable happen quicker. Higher energy prices were the immediate threat to the sustainability of the nation's economic recovery, with or without hurricane devastation. It was only a matter of time until higher energy prices caused consumer spending to slow. Katrina could accelerate this process.

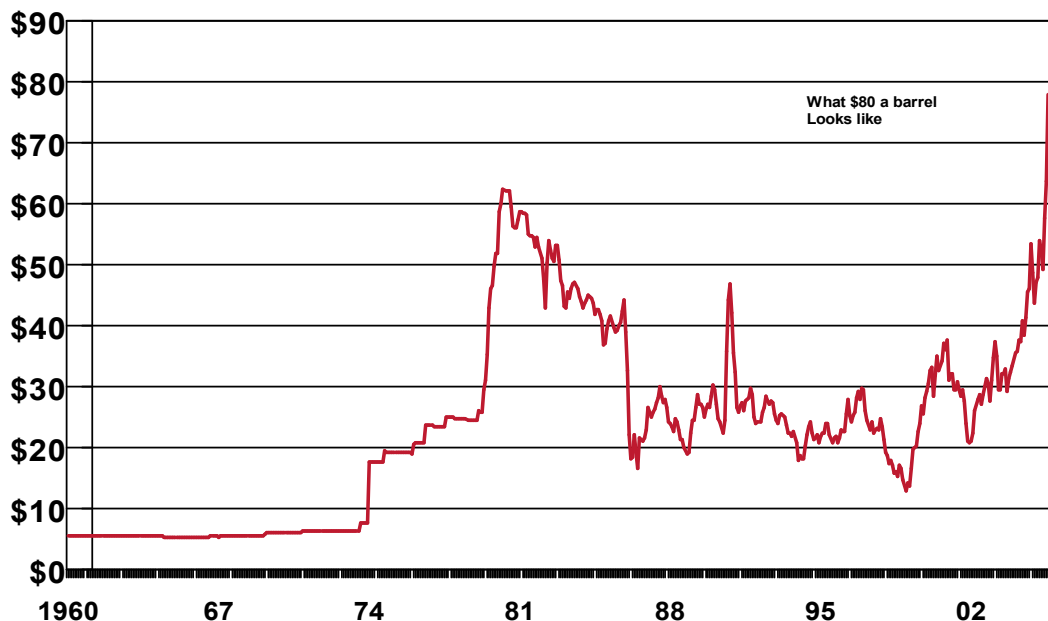
Refining disruptions could further impact supply and, as a result, push the price of gasoline even higher. People must still buy gas, even if they manage to do so in smaller quantities. But it may compromise their ability to buy other products. First impacted are discretionary items, like eating out, entertainment, or travel. It doesn't take much imagination to see how this could impact the people who work in those industries, and so on.

What will this potential scenario do to Utah? Our economy is strong and diverse so it would probably not produce a recession, but it could cut into employment growth. By summer's end, the Utah economy was growing a strong 3.5 percent. That could be cut in half or even more over the next six to nine months.

Not all of Utah will slow. The oil-producing Uintah Basin is already booming and this type of situation just adds to that boom. But the rest of the state will most likely be affected, just like all other consumers in this country. 

Prices may go even higher, since demand has not slowed over the past year with the high price of oil.

Price of West Texas Intermediate Crude Oil*
1960 - 2005



* Inflation-adjusted Feb. 2005 \$

Too High?



highlights

The number of new housing permits issued in Utah during the first half of 2005 climbed to an all-time high, fueling an unrelenting charge of new home construction from St. George to Logan. <http://deseretnews.com/dn/view/0,1249,600158444,00.html>

More Salt Lake hotel rooms were filled in July as occupancy rates rose to 78.4 percent, up from 69.1 percent in the same month a year ago. <http://deseretnews.com/dn/view/0,1249,600158038,00.html>

The Base Realignment and Closure Commission voted 7-1 not to close the Deseret Chemical Depot. <http://deseretnews.com/dn/view/0,1249,600158389,00.html>

More? Go to: <http://jobs.utah.gov/wi/press/tlextra/tlextracurrent.asp>